Micro-Economic Monitor

Second Quarter, 2000

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This document is also available on the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/04.html

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Overview

Strong growth extends into the second quarter...

Output continues to expand at a fast pace, with real GDP rising 4.7% (annual rate) in the second quarter. Canada's high-tech sector provided a strong boost to the economy, accounting for roughly half of the overall increase in output.

- **A further sharp increase in business investment (particularly for high-tech equipment) and a healthy advance in consumer spending fuelled domestic demand. However, the housing sector was held back by strike activity in the large Toronto market.**

- **Although exports were lifted by increased sales of high-tech equipment, imports rose at an even faster pace in the second quarter. Canada's current account remained in surplus, as higher energy prices kept Canada's trade surplus at a near-record level.**

...but the pace of job creation slows

Job growth has slowed significantly since May. Canada's unemployment rate was 7.1% in August, up from a 24-year low of 6.6% in May and June. Despite sluggish employment growth, labour income surged 10.4% in the second quarter, with federal pay equity payments accounting for just under half of this increase. A slight improvement in household finances bodes well for further increases in consumer spending.

Corporate profits registered another solid gain in the second quarter. Combined with high rates of capacity utilization, this points to continued healthy growth in investment.

Canada's strong underlying fundamentals bode well for the economy. The most recent consensus forecasts projects growth of 4.7% overall in 2000.

Domestic Scene

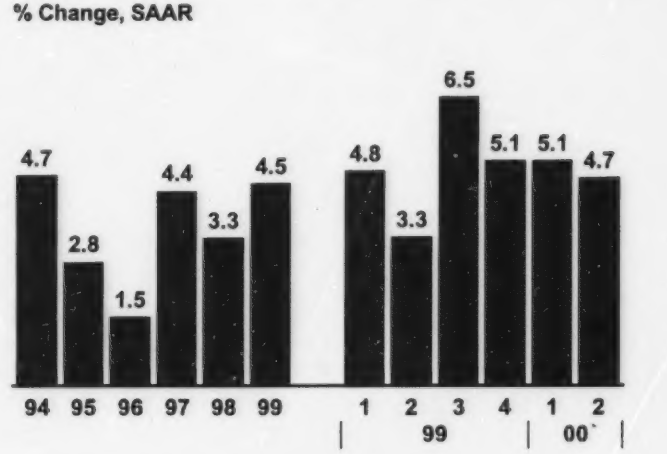
Real Economic Activity

The economy continues to advance at a strong pace...

Real GDP rose a stronger-than-expected 4.7% (annual rate) in the second quarter of 2000. This marks the 20th straight quarterly increase in output, the longest consecutive string of gains since the 1960's.

The high-tech sector was a major source of strength for the economy in the second quarter, accounting for roughly half of the total increase in output.

Real GDP Growth



Source: Statistics Canada

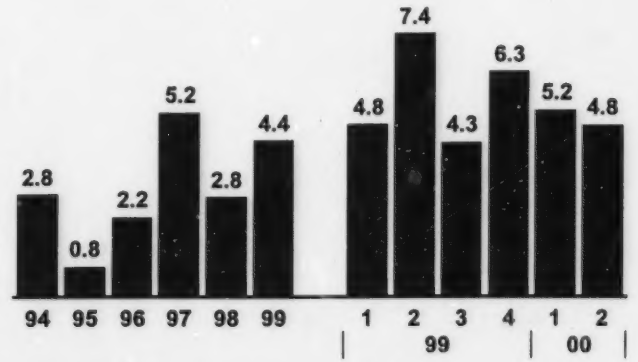
...boosted by a healthy increase in domestic demand...

Final domestic demand remains solid, advancing 4.8% (annual rate) in the second quarter.

- **Domestic demand was boosted by strong growth in investment, particularly for high-tech equipment. Consumer spending also expanded at a healthy pace.**

Final Domestic Demand

% Change, SAAR



Source: Statistics Canada

...and a robust export performance

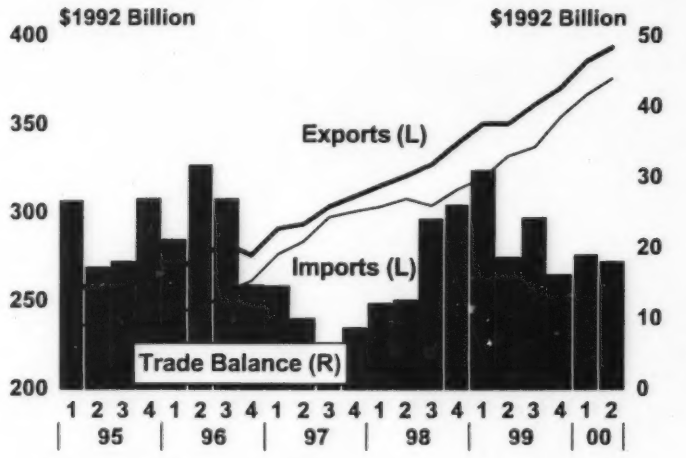
Real exports of goods and services rose by 8.5% (annual rate) in the second quarter.

- **The advance was fuelled by surging exports of Machinery & Equipment (M&E) – notably computers, telecommunications products, and other related high-tech equipment. Excluding high-tech commodities, exports actually fell, dampened by lower sales of Automotive and Energy Products.**

Imports rose at a faster pace than exports (+10.2%) in the second quarter, with strong investment demand sparking rapid growth in M&E imports.

As a result, Canada's real trade surplus edged down to $17.9 billion on the quarter.

Real Exports and Imports of Goods & Services



Source: Statistics Canada

Investment in high-tech M&E accelerates...

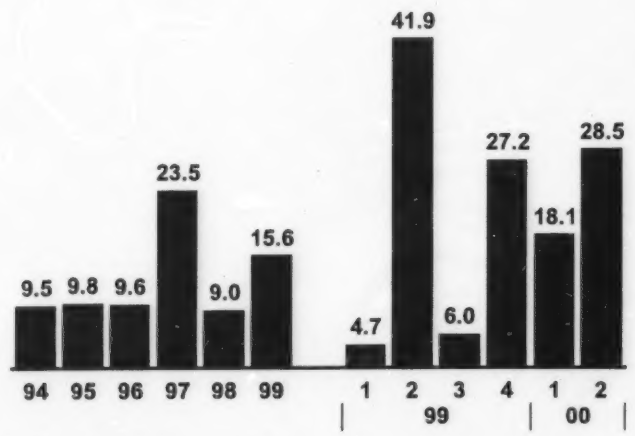
Business investment in M&E once again made a major contribution to output growth, advancing 28.5% (annual rate) in the second quarter.

- **Spending on computers and other office equipment accounted for 85% of the overall rise. Increased purchases of transportation equipment in the oil and gas sector also contributed.**

Strong demand, high rates of capacity utilization and rising corporate profits continue to fuel capital investments.

Real Machinery & Equipment Investment

% Change, SAAR



Source: Statistics Canada

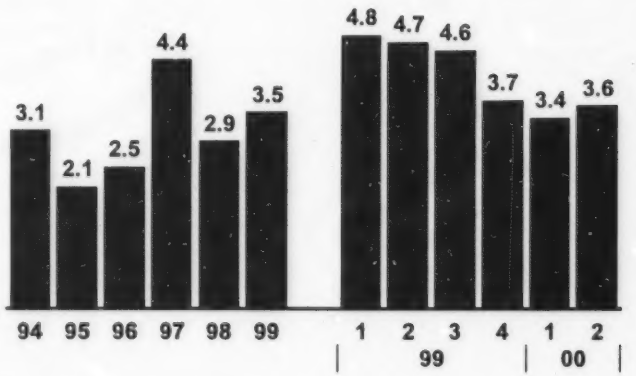
...and consumer spending holds firm...

Consumer spending rose 3.6% (annual rate) in the second quarter, in line with growth in the previous two periods.

- **Growth in spending on big-ticket items such as motor vehicles, furniture and appliances slowed, but expenditures on services were substantially higher on the quarter.**

Recent gains in personal income should help support further increases in household spending.

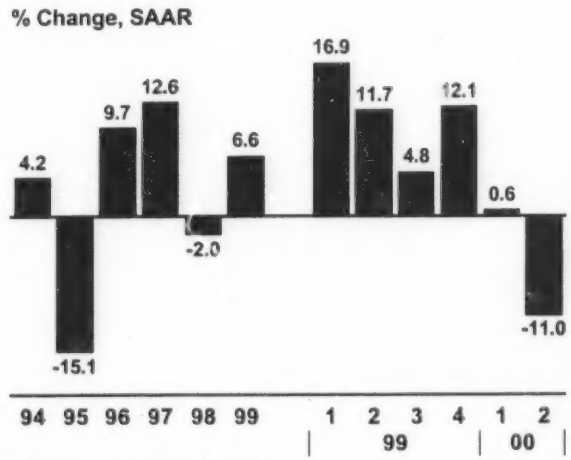
Real Consumer Expenditure Growth



Source: Statistics Canada

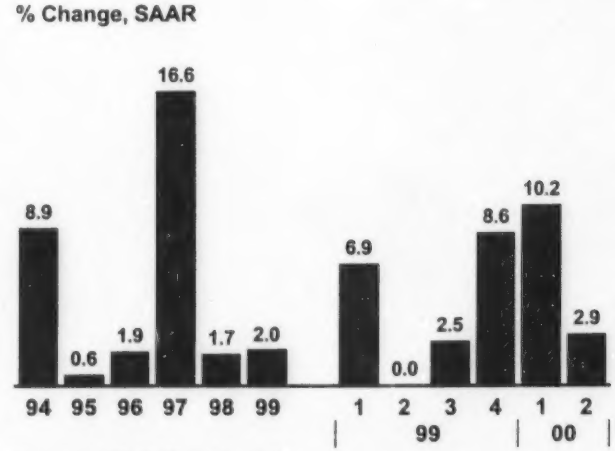
...but the housing sector falls back

Real Residential Construction Growth



Source: Statistics Canada

Real Non-residential Construction Growth



Source: Statistics Canada

Residential Construction fell 11.0% (annual rate) in the second quarter, the first drop since the end of 1998. A strike by cement truck drivers in Southern Ontario accounted for some of this weakness, leading to lower investment in new housing. However, sales of existing homes were also down, and the pace of renovation activity slowed.

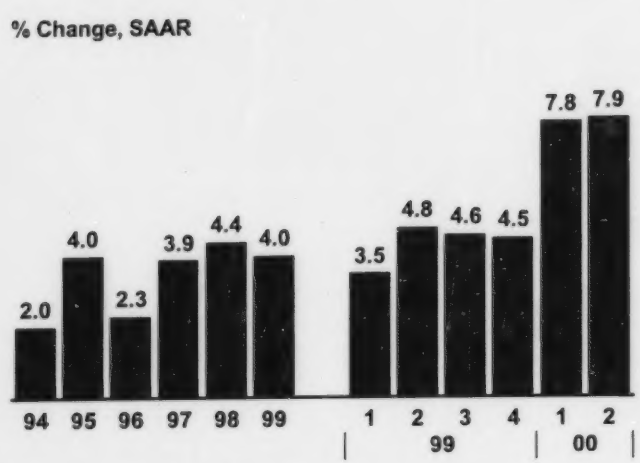
Growth in Non-Residential Construction slowed to 2.9% (annual rate), following significant advances in the previous two quarters.

Domestic Scene

Income Side

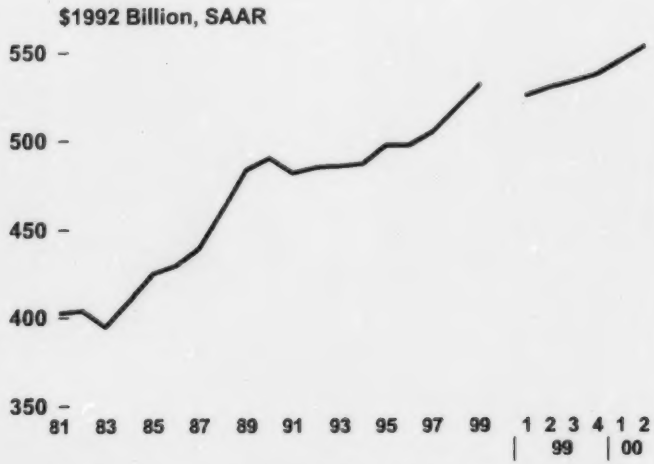
A strong pick-up in income growth...

Growth in Personal Income



Source: Statistics Canada

Real Personal Disposable Income*



*Converted to real dollars using the chain price index for personal expenditure on goods and services.
Source: Statistics Canada and Industry Canada

Following a similarly sharp gain in the first quarter, personal income surged 7.9% (annual rate) in the second quarter of 2000. These gains – the largest in 10 years – are due mainly to higher labour income, which was up 10.4% in the second quarter. Federal pay equity payments accounted for just under half of this increase in labour income.

After adjusting for inflation, personal disposable income advanced 5.8% (annual rate) in the second quarter.

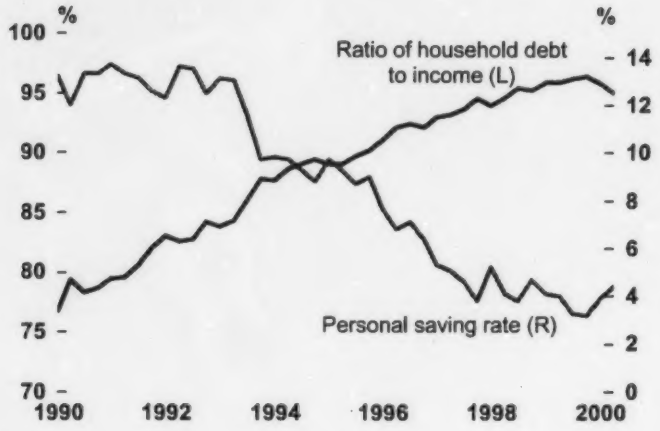
...improves household finances

Strong income gains in the first half of 2000 have brought about a modest improvement in household finances.

The personal saving rate was 4.4.% in the second quarter, up from an all-time low of 3.2% at the end of 1999.

Although the household debt-to-income ratio edged down to 95.1% in the second quarter, debt levels remain near historical highs.

Personal Debt and Savings Rate

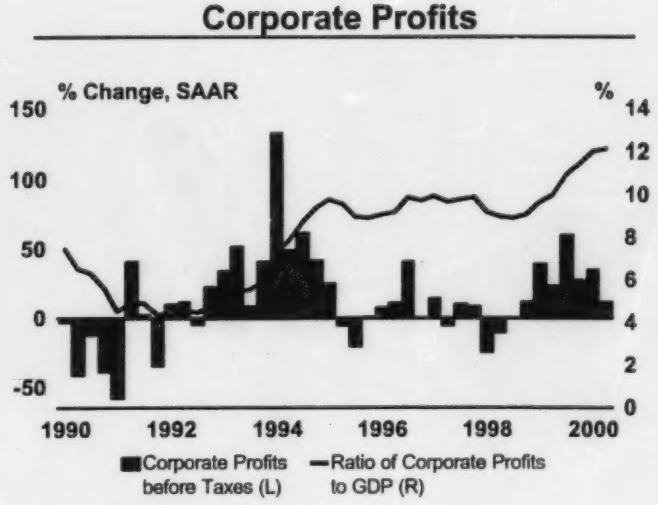


Source: Statistics Canada

Corporate profits advance further

Corporate profits increased 11.3% (annual rate) in the second quarter of 2000, building on very strong gains over the past year and a half.

- **Corporate profits have risen above 12% of GDP for the first time since 1980.**



Source: Statistics Canada

Domestic Scene

Price Movements

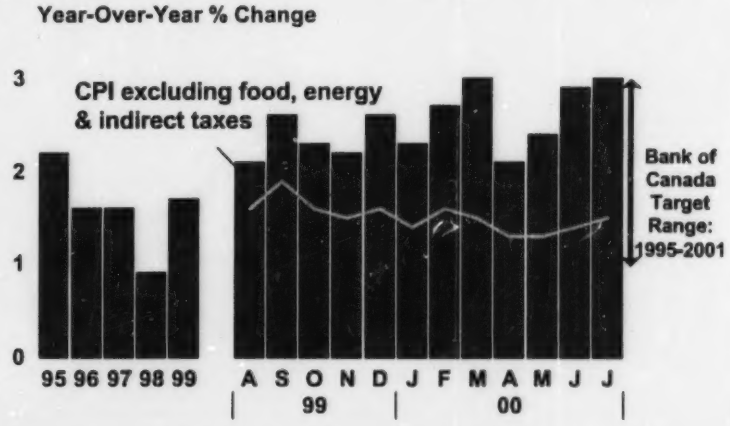
Inflation rises to 3% in July...

After falling back to 2.1% in April, inflation has risen steadily in subsequent months, reaching 3.0% in July.

- **Higher energy prices have accounted for roughly half of the year-over-year increase in the general price level since late 1999.**

The "core" inflation rate – excluding the volatile food and energy components as well as the impact of indirect taxes – was 1.5% in July. This is well within the bottom half of the 1-3% target range set jointly by the Bank of Canada and Department of Finance.

Consumer Price Index



Source: Statistics Canada & Bank of Canada

D-1

...driven up mainly by higher energy prices...

Higher gasoline prices – up nearly 25% in July compared to a year ago – have had the biggest impact on the consumer price level.

- **Shelter costs have also risen due to price hikes for natural gas and heating oil.**

Increased costs for mortgage interest and higher tuition fees also contributed to higher consumer prices on a year-over-year basis. Lower prices for automobiles, computer equipment & supplies and clothing put downward pressure on inflation.

Components of CPI: July 2000

Source: Statistics Canada

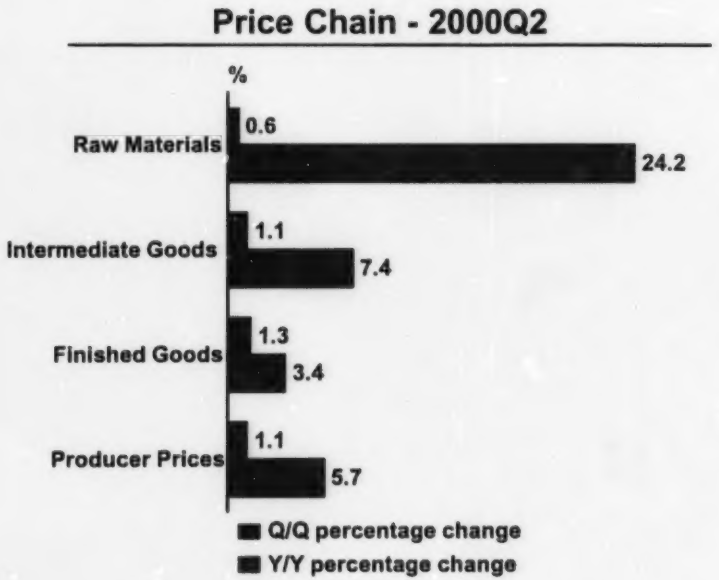
...especially for crude oil

The price of raw materials was up 24.2% on a year-over-year basis in the second quarter of 2000.

- **Crude oil prices were 70% higher compared to last year. Prices for non-ferrous metals and animal & animal products also posted strong advances.**

On a year-over-year basis, industrial product prices – those received by producers at the factory gate – were up 5.7% in the first quarter.

- **Much of this increase was due to surging oil prices, but higher prices for pulp and paper products also contributed. Prices for lumber and other wood products were down sharply on a year-over-year basis.**



Source: Statistics Canada

Domestic Scene

Labour Situation

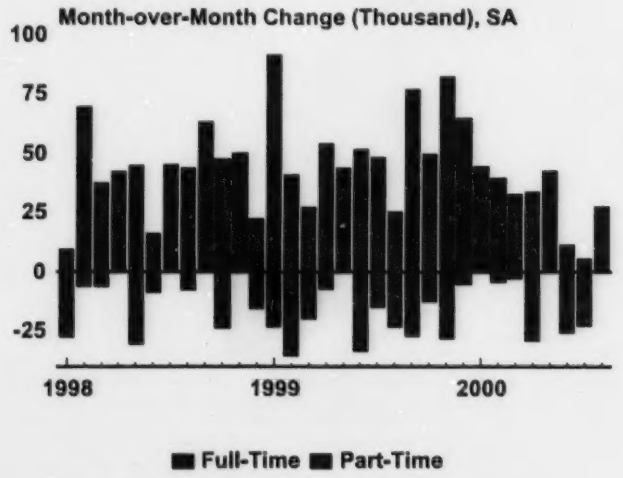
The pace of job creation slows...

Employment growth has slowed significantly since May. After posting a net gain of 157,000 jobs in the first five months of the year, employment was down 4,000 over the June-August period.

- **Job losses in June and July were partly offset by a modest rebound in August.**

In contrast to last year, when full-time employment accounted for all net job gains, growth so far this year has been shared between full-time positions (+87,000) and part-time work (+66,000).

Employment Growth



Source: Statistics Canada

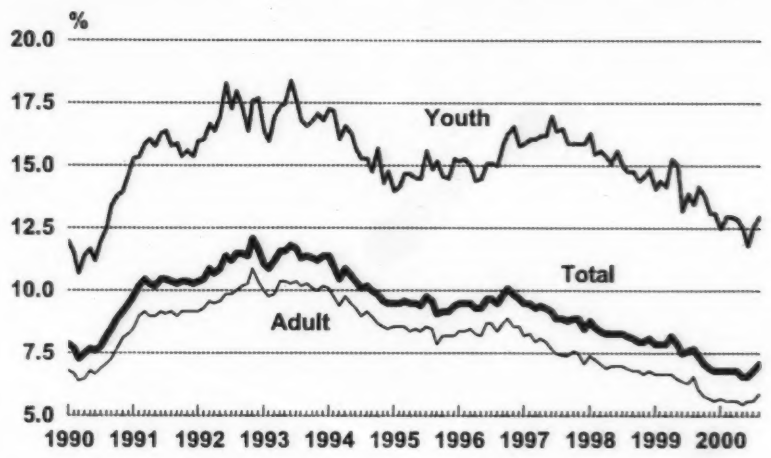
...and the unemployment rate rises to 7.1% in August

After holding at a 24-year low of 6.6% in May and June, Canada's unemployment rate edged up to 6.8% in July.

Despite job gains in August, an even bigger increase in the number of job seekers pushed up the unemployment rate further to 7.1%.

The youth unemployment rate was 13.0% in August, down 0.1 percentage points from December 1999. The adult unemployment rate rose from 5.6% to 5.9% over the same period.

Unemployment Rates



Source: Statistics Canada

Employment is up in both the private and public sectors...

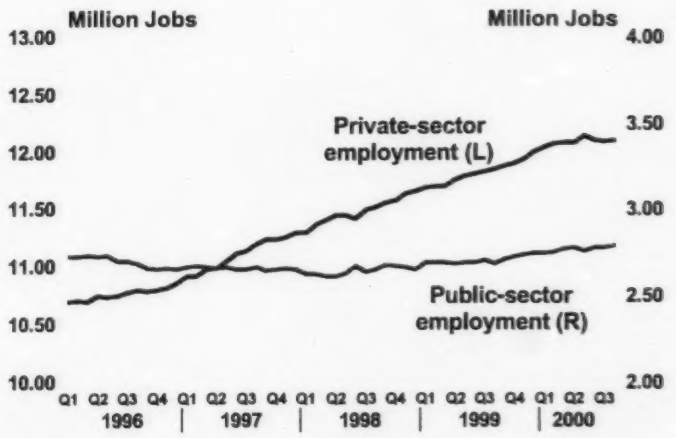
Private-sector employment increased by 104,000 over the first eight months of 2000, a gain of 0.9% on a year-to-date basis.

- **Following a solid advance in May, private-sector employment fell back in June and July and rose only slightly in August.**

Employment in the public sector rose by 49,000 in the first eight months of 2000, an increase of 1.8%.

- **After several years of stagnant or even falling employment, growth in public sector employment has picked up since the beginning of 1999.**

Employment: Private vs. Public



Source: Statistics Canada

...and in every province except Newfoundland and Saskatchewan

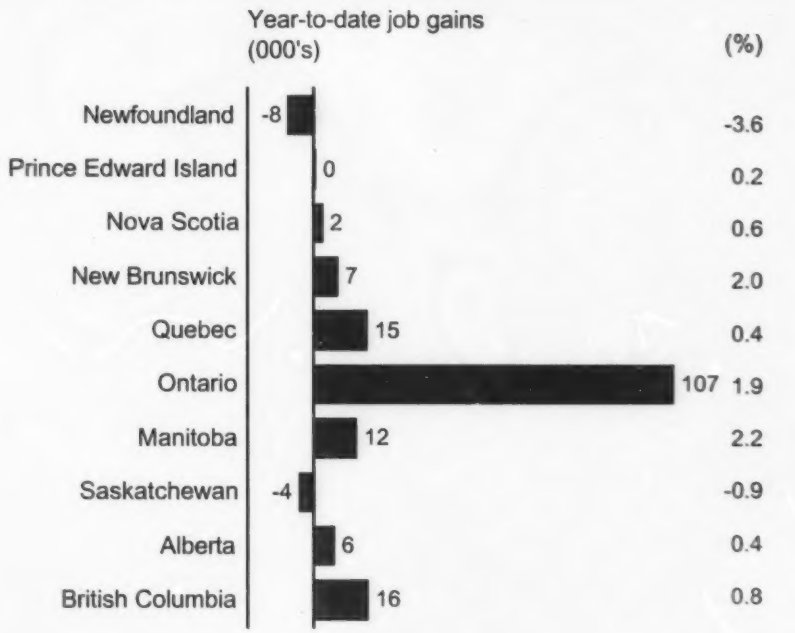
Ontario accounted for two-thirds of all national job gains in the first eight months of the year.

- **In percentage terms, only Manitoba posted faster job growth than Ontario over this period.**

Newfoundland and Saskatchewan are the only provinces where employment has fallen from January to August.

- **Recent job losses in Newfoundland have been centred in Manufacturing. The Agriculture sector has been an major source of weakness in Saskatchewan.**

Employment Growth by Province
(January to August 2000)



Source: Statistics Canada

Unemployment rates are lowest in the Prairie provinces

At 5.1%, Manitoba had the lowest provincial unemployment rate in August. Rates are generally lower in the three Prairie provinces and Ontario.

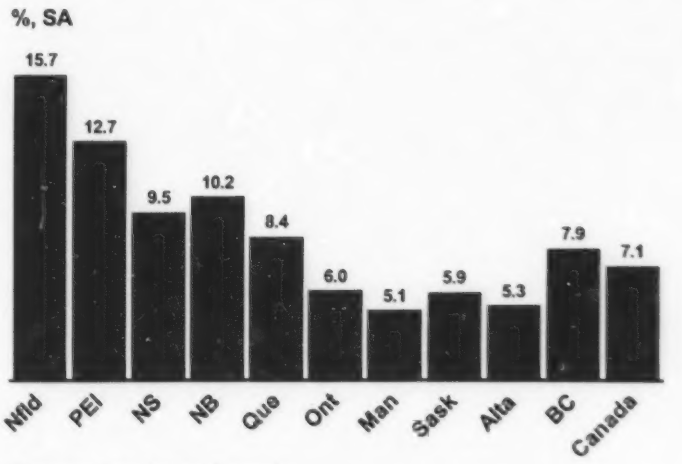
Unemployment rates are down in only three of ten provinces on a year-to-date basis. Nova Scotia, Manitoba and Alberta each posted decreases of 0.1 percentage points in their respective rates.

- **Jobless rates were unchanged on a year-to-date basis in P.E.I. and New Brunswick.**

The biggest increase was in Newfoundland, where the unemployment rate has jumped up 1.6 points so far this year. The impact of job losses has been compounded by increases in the labour force.

A strong rise in Ontario's labour force has more than offset solid job growth, raising its unemployment rate 0.5 points to 6.0%.

Unemployment Rates: August 2000



Source: Statistics Canada

Domestic Scene

Financial Variables

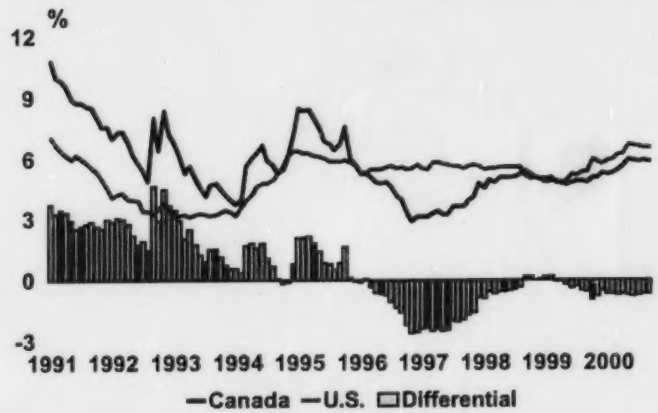
Short-term rates are stable...

Short-term interest rates have shown little movement since the Bank of Canada last raised its trend-setting Bank Rate 50 basis points in May.

The Canadian and U.S. economies continue to grow strongly, but there are some signs of a moderate slowdown and inflation pressures have been slow to emerge. Fears of a further round of interest rate increases have therefore lessened.

As of September 6, Canadian short rates were 69 basis points below U.S. rates.

Short-Term Interest Rates



Last data point plotted: September 6, 2000

Source: Bank of Canada, 90-day Commercial Paper, last Wednesday in the month

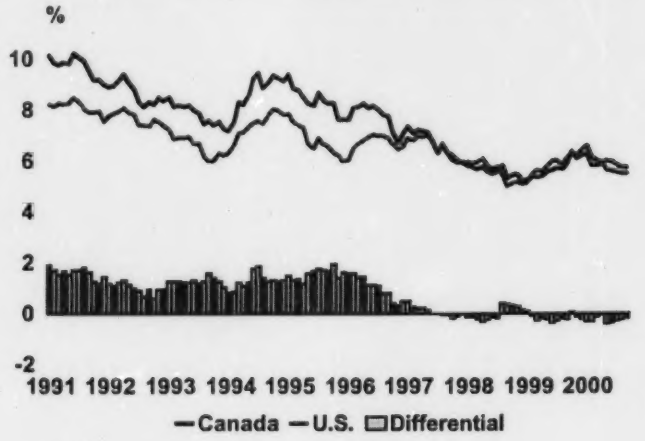
...while bond yields edge lower

North American long bond yields have trended lower throughout the year, given expectations that inflation pressures will be contained.

- **The supply of bonds has also fallen, contributing to downward pressure on long-term rates. Budget surpluses in both Canada and U.S. have allowed for some retirement of government debt.**

Since June, long-term rates have declined slightly faster in the U.S. On September 6, Canadian long rates closed 20 basis points below comparable U.S. rates, down from a gap of 40 points at the end of May.

Long-Term Interest Rates



Last data point plotted: September 6, 2000

Source: Bank of Canada, Government long-term bond, last Wednesday in the month

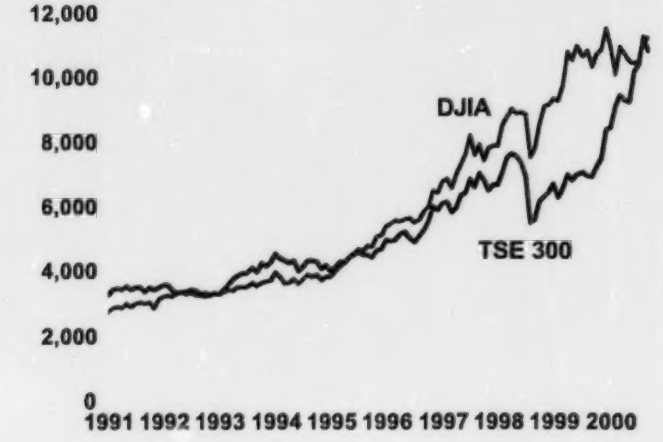
And while Canadian stock markets continue to climb...

After registering strong gains in 1999, Canadian stock prices continued to climb steadily over the first eight months of this year. The TSE 300 index reached a record high of 11,389 on September 1, but fell back shortly thereafter.

Canadian stocks have outperformed U.S. stocks so far in 2000. As of September 8, the TSE 300 had gained 29% on the year, compared to a slight loss of 2.4% for the U.S. Dow Jones Industrial Average.

The recent strength in Canadian stock prices has been centred on high-tech industries, financial services, and the oil & gas sector.

Stock Market Indices



Last data point plotted: September 8, 2000

Source: Statistics Canada

...the Canadian dollar fails to gain ground

Despite Canada's strong economic performance and current account surplus, the Canadian dollar has struggled against its American counterpart.

- **The global popularity of U.S.-denominated assets has kept the Canadian dollar mired around U.S. 0.67¢ for most of the year.**

Indeed, the Canadian dollar has performed well against other international currencies since June, suggesting that the dollar's weakness reflects the strength of the American currency.

Canada-U.S. Exchange Rate

Last data point plotted: September 8, 2000

Source: Bank of Canada

Domestic Scene

Fiscal Track

The federal budget remains in the black

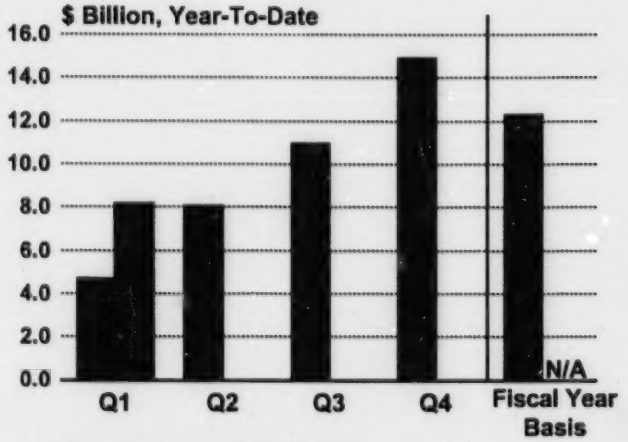
Following surpluses in the previous two years, the government recorded a surplus of $12.3 billion in the 1999-2000 fiscal year. The last time the budget was in surplus for three consecutive years was 1951-52.

- **The net debt-to-GDP ratio fell to 58.9% in 1999-2000, down from a peak of 71.2% in 1995-96.**

For the first quarter of fiscal year 2000-01, the federal government surplus was estimated at $8.2 billion, up from $4.7 billion last year.

Along with the federal government, seven provinces and one territory are expected to post balanced budgets or surpluses in the 1999-2000 fiscal year.

Federal Budgetary Balance



Source: Department of Finance

Domestic Scene

Competitiveness

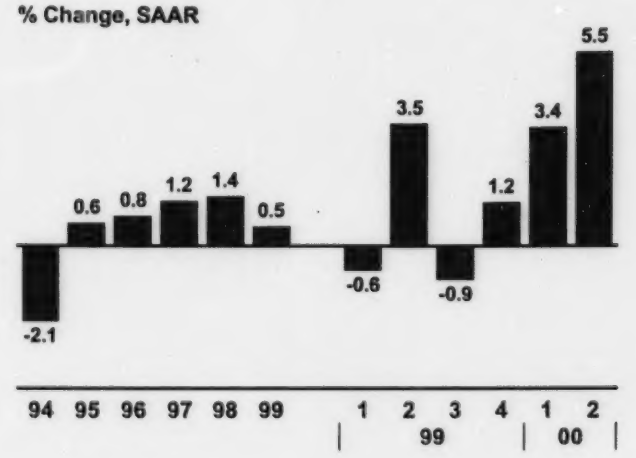
Federal pay equity payments boost growth in unit labour costs...

Unit labour costs rose 5.5% (annual rate) in the second quarter of 2000, the steepest increase in nine years.

- **A 10.4% increase in the total wage bill – with just under half of this growth due to federal pay equity payments – far outpaced the overall rise in output.**

- **Excluding pay equity payments, unit labour costs would have risen less than 2% in the second quarter.**

Growth in Unit Labour Costs



Source: Industry Canada calculations

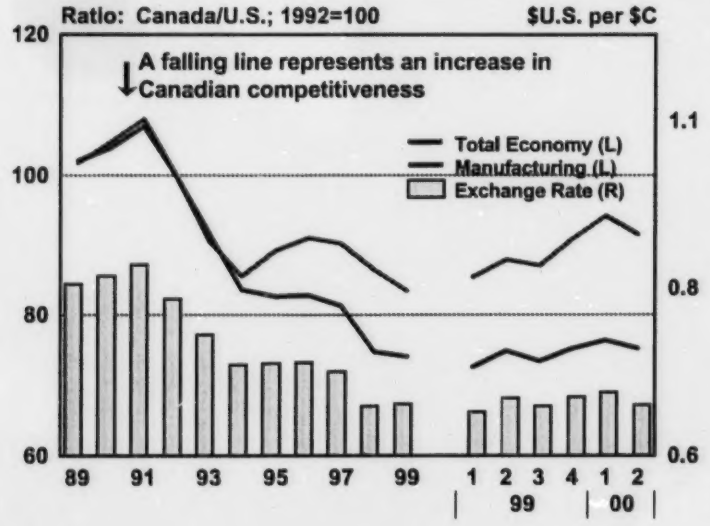
...as a weaker dollar improves Canada's competitive position

A stronger dollar weakened the competitive position of Canadian firms in the first quarter of the year, but this situation was reversed in the second quarter.

At the economy-wide level, and on a common currency basis, Canadian unit labour costs were down 1.5% in the second quarter relative to those in the U.S.

- **This improvement was due to the decline of more than one cent in the value of the Canadian dollar.**

Unit Labour Cost Comparison ($US)



Source: Industry Canada estimates based on data from the U.S. Bureau of Labor Statistics & Statistics Canada

Domestic Scene

International Accounts

The current account surplus narrows in the second quarter...

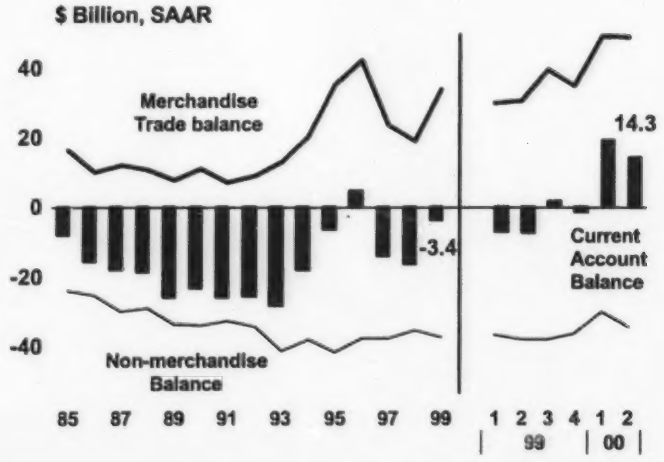
Canada's current account surplus was $14.3 billion (annualized) in the second quarter of 2000, down from $19.4 billion in the first quarter.

- **Along with a slight decline in the merchandise trade surplus, higher deficits on investment income and services transactions contributed to the smaller overall surplus.**

On the capital and financial account, Canadian direct investment abroad rose to a record-high $17.7 billion, with just over half of this used to acquire existing companies.

Foreign direct investment in Canada totalled $25.9 billion in the second quarter, more than double the previous high. Over 60% of this investment was directed toward the acquisition of existing companies in Canada.

Current Account & Trade Balances



The merchandise trade balance represents net exports of goods.
The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

Source: Statistics Canada

...with slight deteriorations in all major components

The merchandise trade surplus was $48.8 billion (annual rate) in the second quarter, edging down from an all-time high in the first quarter.

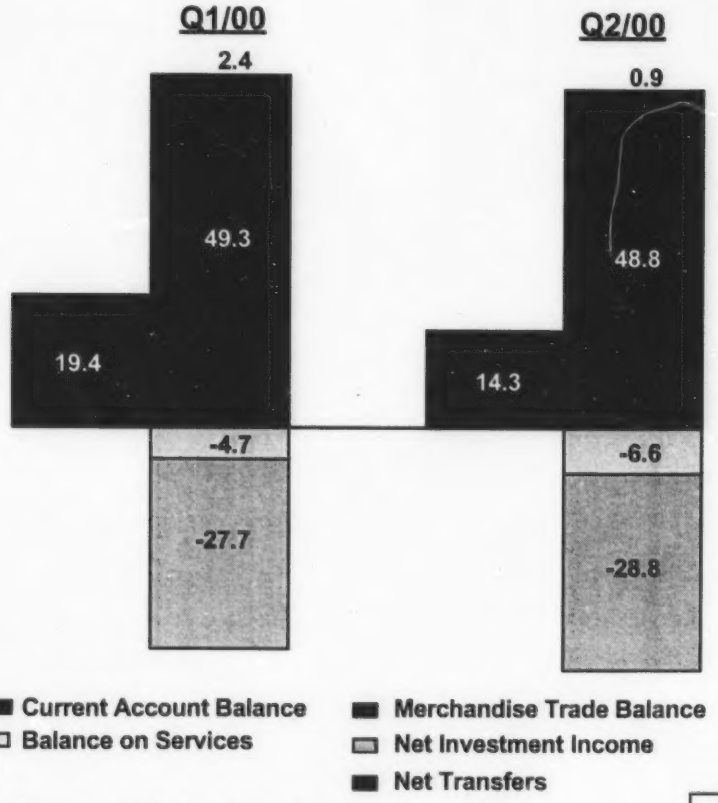
- **The sharp rise in the merchandise trade surplus in the first half of the year has accounted for the strong swing to surplus in Canada's current account.**

The deficit on investment income widened in the second quarter, reflecting higher profits for foreign direct investors in the financial services, wood & paper, and transportation equipment sectors. Earnings of Canadian direct investors abroad were down despite higher profits in the communications sector.

The deficit on trade in services widened due to an increase in the travel deficit.

Main Components of the Current Account

$ Billion, SAAR



Source: Statistics Canada

Exports are up sharply in the first half of the year...

Merchandise exports totalled $202.5 billion in the first two quarters of 2000, up 16.5% compared to the same period a year ago.

- **Sales to the U.S. increased at a fast pace, but exports to most other major markets also rose quickly.**

By major commodity group, exports of Energy Products were up more than 70% in the first half of the year, due mainly to higher prices for crude oil and natural gas. Strong international demand for telecommunications equipment has provided a boost to exports of M&E.

Merchandise Exports, Year-to-date

	Jan-June/00 $ Billion	% Change, Jan-June/99 - Jan-June/00
Total	202.5	16.5
By Trade Partner		
U.S.	173.6	16.5
Japan	5.0	6.1
E.U.	10.4	18.9
All Others	13.5	17.9
By Principal Commodity		
Agricultural & Fishing Products	13.5	7.4
Energy Products	21.7	71.8
Forestry Products	21.1	11.8
Industrial Goods & Materials	31.8	14.3
Machinery & Equipment	50.9	23.5
Automotive Products	49.0	4.1
Other Consumer Goods	7.1	5.3

Source: Statistics Canada

...leading to a significant rise in the trade surplus

Merchandise imports were up 12.1% in the first two quarters of 2000.

- **As with exports, higher prices have led to a sharp jump in the value of Energy Products imports. Despite falling computer prices, imports of M&E were also up strongly, reflecting strong levels of domestic investment.**

Though growth has been solid, imports have not kept pace with exports, leading to a substantial increase in Canada's merchandise trade surplus.

- **This improvement is due entirely to a higher trade surplus with the U.S., as deficits with other major trading regions widened.**

- **A higher surplus for Energy Products accounts for over half of the increase in Canada's trade surplus in the first half of the year.**

Merchandise Imports, Year-to-date

	Jan-June/00 $ Billion	% Change, Jan-June/99 - Jan-June/00
Total	177.9	12.1
By Trade Partner		
U.S.	132.2	8.3
Japan	5.8	14.0
E.U.	16.4	22.1
All Others	23.5	29.6
By Principal Commodity		
Agricultural & Fishing Products	9.0	2.6
Energy Products	8.3	88.6
Forestry Products	1.5	13.8
Industrial Goods & Materials	35.1	16.6
Machinery & Equipment	59.5	12.6
Automotive Products	38.7	4.4
Other Consumer Goods	19.5	7.7

Balance by Trade Partner, Year-to-date

	Jan-June/00 $ Billion	Change ($Billion) Jan-June/99 - Jan-June/00
Total	24.5	9.4
U.S.	41.3	14.4
Japan	-0.8	-0.4
E.U.	-6.0	-1.3
All Others	-10.0	-3.3

Source: Statistics Canada

Domestic Scene

Sectoral Overview

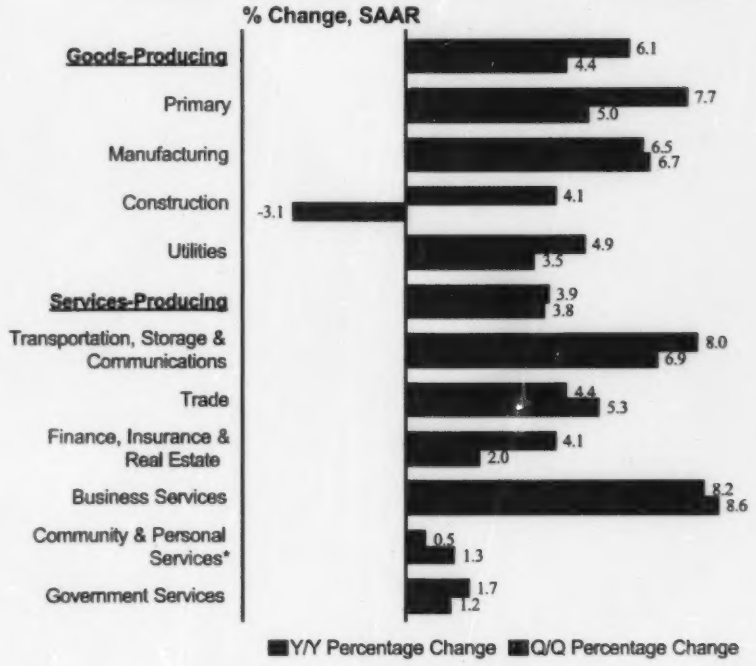
High-tech industries drive output gains in the second quarter...

Output gains in the second quarter were led by high-tech industries such as telecommunications and computer equipment manufacturers, telecommunications carriers and providers of computer services.

Production in the goods-producing industries surged 4.4% (annual rate) in the second quarter, with solid increases across most major industry groups. Manufacturing was boosted by increased demand for high-tech equipment, but Construction activity was held back by striking cement truck drivers in Toronto.

Services industries raised their output by 3.8% (annual rate) in the second quarter, led by gains in telecommunications carriers and Business Services (particularly engineering, computing and advertising services). Wholesale Trade also recorded strong growth, due mainly to increased computer sales.

Real GDP Growth by Industry: 2000Q2



Source: Statistics Canada

*Education and Health & Social Services

J-1

...leading to higher rates of capacity utilization...

Capacity utilization increased to 87.9% in the second quarter. In Manufacturing, capacity utilization rose to 88.4%, half a percentage point below its historical peak in 1974.

- **Higher production of computer and telecommunications equipment raised utilization rates in Electrical & Electronic Products industries to 98.9%, accounting for much of the overall increase in Manufacturing.**

Outside of Manufacturing, all sectors raised their rate of capacity use with the exception of Construction (which was affected by strike activity). Increased drilling activity raised capacity utilization in the Mining industry to a record 94.8%.

Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 2000Q2	Change (% points) Q/Q	Y/Y	10-year Average
Total Non-Farm Goods-Producing	87.9	0.4	4.1	81.7
Logging & Forestry	93.9	1.0	6.7	81.3
Mining & Quarrying	94.8	1.6	18.9	84.3
Crude Petroleum & Natural Gas	73.5	1.2	1.8	80.5
Manufacturing	88.4	0.6	3.7	81.0
Durable Goods Manufacturing	91.0	0.6	5.1	80.2
Wood	91.9	-0.7	3.8	84.0
Primary Metals	92.0	-1.5	-0.6	88.3
Fabricated Metals	86.9	0.0	4.4	77.0
Transportation Equipment	93.0	0.0	3.4	81.2
Electrical & Electronic Products	98.9	3.5	15.8	78.6
Non-Durable Goods Manufacturing	84.8	0.4	1.7	81.9
Food Products	83.0	1.4	2.6	80.1
Plastic Products	82.5	-3.2	-2.9	79.3
Paper & Allied Products	94.3	0.7	4.8	88.8
Printing & Publishing	87.4	2.0	5.3	79.7
Chemical & Chemical Products	78.2	0.0	-2.1	83.4
Construction	90.0	-0.9	2.5	83.2
Electric Power & Gas	89.6	0.8	3.9	82.8
Energy	81.5	0.9	2.3	81.8
Total Excluding Energy	89.2	0.3	4.4	81.6

Source: Statistics Canada

...rising profits...

Corporate operating profits increased 1.7% (quarterly rate) in the second quarter, reaching a record $51.9 billion.

- **Profits have gained just over 50% since hitting a low of $34.1 billion in the third quarter of 1998.**

Higher prices boosted profits in the oil and gas sector, while strong demand for motor vehicles and high-tech equipment led to higher sales and profits in Manufacturing. Robust Manufacturing activity in turn raised profits in Transportation & Warehousing.

Profits in the Financial industry fell in the second quarter, with sharp declines in the Funds and Insurers industries.

Corporate Operating Profits

	2000Q2 Level ($M)	Difference 00Q1-00Q2 ($M)	00Q1-00Q2 (%)	99Q2-00Q2 (%)
Total - All Industries	51915	843	1.7	21.6
Total Non-Financial	36828	1738	5.0	25.1
Agriculture, forestry, fishing & hunting	524	6	1.2	0.4
Mineral fuels	4016	419	11.6	156.0
Mining except mineral fuels	926	49	5.6	885.1
Utilities	537	118	28.2	-13.5
Construction	1326	340	34.5	31.2
Manufacturing industries	14310	317	2.3	31.8
Wholesale trade industries	2560	-59	-2.3	12.2
Retail trade industries	2324	37	1.6	-28.3
Transportation and warehousing	1173	426	57.0	214.5
Information and cultural industries	1920	162	9.2	24.4
Real estate, rental and leasing	1418	132	10.3	-21.7
Professional/Scientific	720	102	16.5	15.8
Management of companies	2830	-147	-4.9	-18.6
Other services to business	100	26	35.1	122.2
Education services	63	8	14.5	-41.7
Health care and social assistance	287	-28	-8.9	-19.4
Arts, entertainment and recreation	73	10	15.9	284.2
Accommodation and food services	977	-177	-15.3	85.0
Other services	745	-4	-0.5	111.0
Total Financial	15087	-895	-5.6	13.8
Depository credit intermediation	4339	176	4.2	9.6
Non-depository credit intermediation	962	142	17.3	31.1
Insurers	909	-284	-23.8	-12.2
Funds and other financial vehicles	6689	-1131	-14.5	8.4
Other financial intermediaries	2189	203	10.2	60.8

Source: Statistics Canada

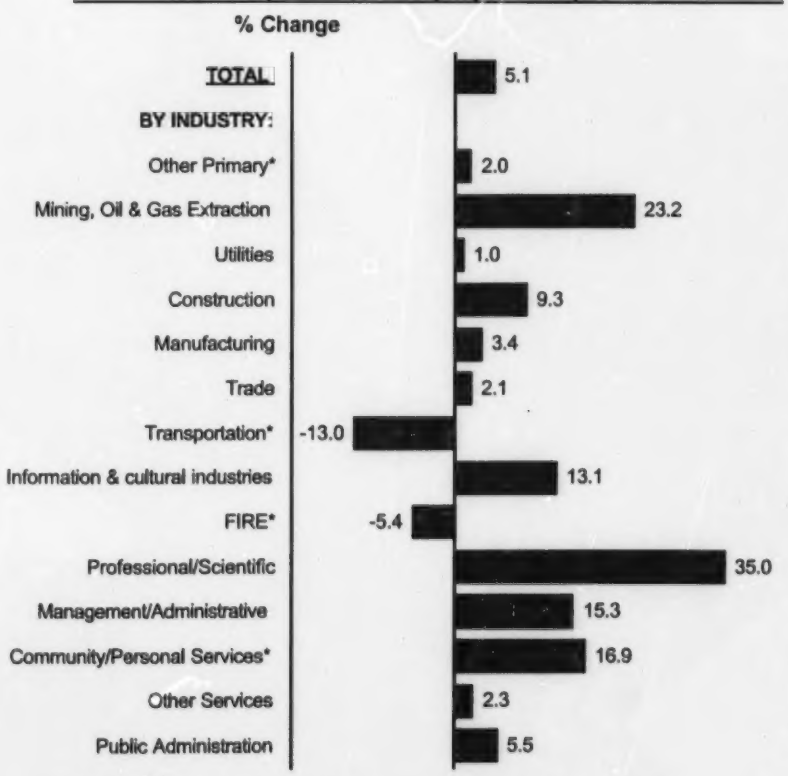
...and increased investment plans

According to the July survey of private and public investment intentions, investment in Plant & Equipment will increase 5.1% to $140.2 billion in 2000. This represents a significant upward revision in spending plans compared to the beginning of the year.

Investment in telecommunications, computer manufacturing, scientific and computer-related service industries is expected to surge 25.0% to $13.3 billion this year. Outside of these high-tech areas, investment should rise a more modest 3.3%.

Higher energy prices have increased spending plans in the oil patch. The large decline in investment intentions in the Transportation industry reflects the winding down of several major pipeline projects.

2000 Revised Investment Intentions by Industry - (Plant & Equipment)



Source: Statistics Canada Survey of public and private investment intentions

*Other Primary: Agriculture, Forestry, Fishing & Hunting;
Transportation includes warehousing;
FIRE: Finance, Insurance, Real Estate & Leasing;
Community/Personal Services: Education and Health & Social Services.

Services drive overall employment gains...

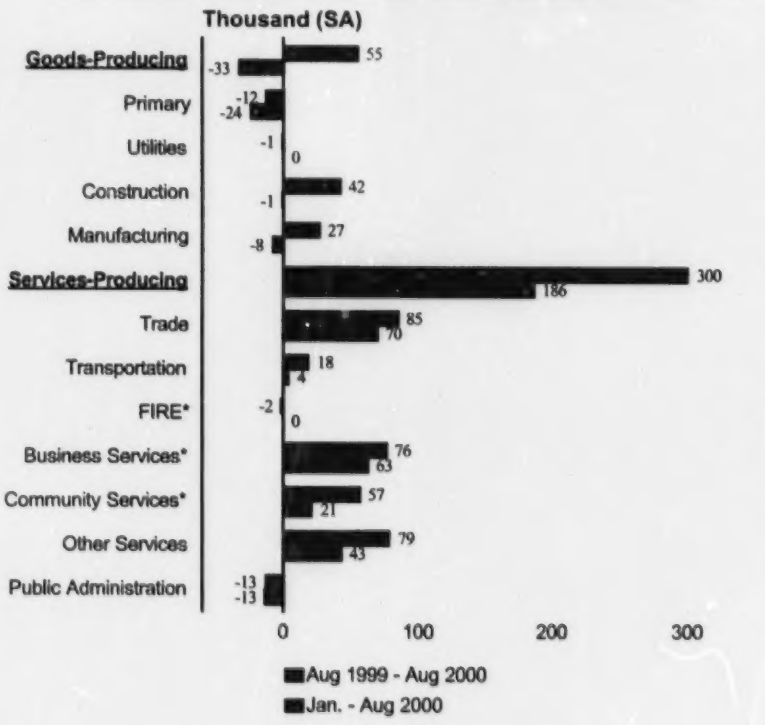
Services have been the main engine of job growth so far this year. Over the first eight months of 2000, employment in the Services-producing industries was up 186,000.

- **Job gains in Trade and Business Services have been particularly strong.**

Despite solid output growth, employment was down 33,000 over the January-August period in the Goods-Producing industries.

- **These job losses are concentrated in the Primary and Manufacturing industries.**

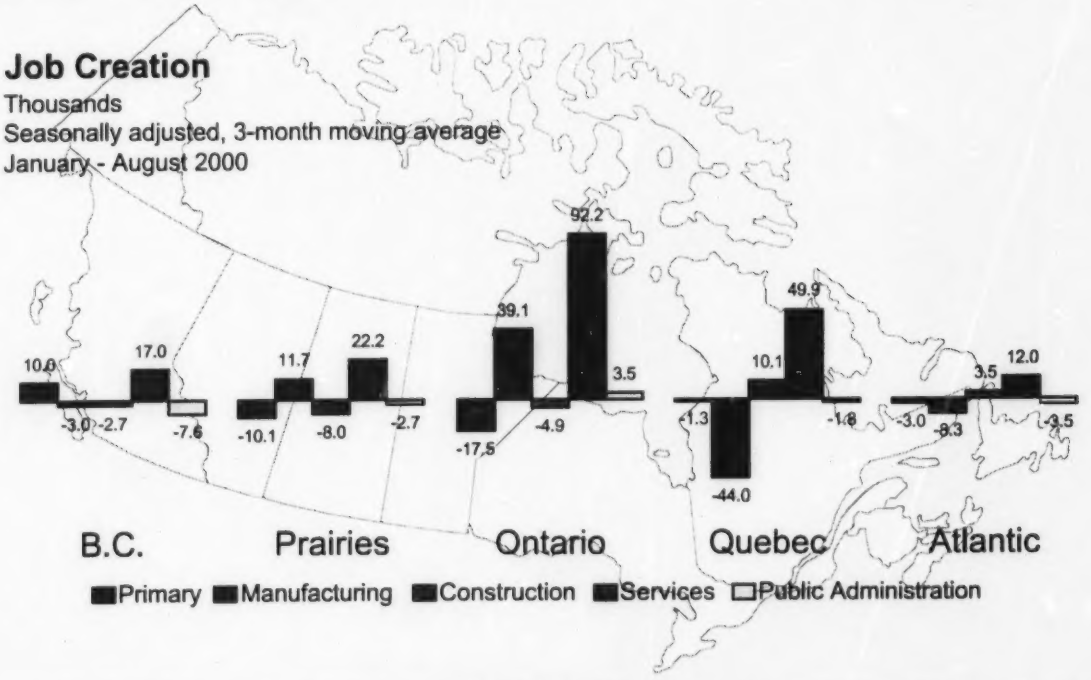
Job Growth by Industry



Source: Statistics Canada

*FIRE: Finance, Insurance, Real Estate and Leasing
Business Services: Management, Administrative, Professional, Scientific & Technical Services
Community Services: Educational Services, Health & Social Assistance.

...in all regions of Canada...



Services-producing industries have provided the biggest boost to employment across every region. In the Prairies and Ontario, Manufacturing has also sustained higher employment growth.

Employment in Public Administration has either held steady or edged lower in every region.

...but wage settlements remain moderate

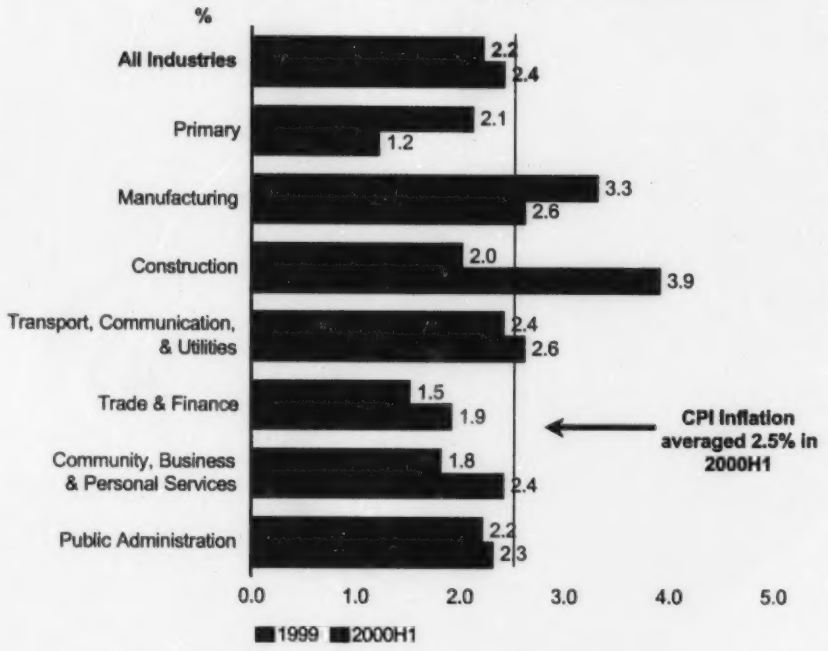
Wage settlements averaged 2.4% in the first six months of 2000, up 0.2 percentage points from the 1999 average.

- **The biggest jump was in Construction (3.9%), where settlements are running well above inflation, and at nearly double last year's pace.**

- **By contrast, average settlements in the Primary and Manufacturing industries are down from last year.**

Wage settlements in the public-sector (+2.4%) ran slightly below private sector settlements (+2.5%) in the first half of the year.

Wage Settlements by Industry



Effective average annual adjustments in base wage rates from major collective bargaining agreements. 2000 data cover agreements reached over the January to June period.

Source: Human Resources Development Canada

For Further Information

We welcome your questions, comments and suggestions? You can reach us by ...

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The *Micro-Economic Monitor* is prepared on a quarterly basis by the Micro-Economic Policy Branch of Industry Canada. The Monitor provides a quick and easy-to-read update on Canada's economic performance. It also provides topical in-depth reports on current economic issues from a micro-economic perspective.

The current analysis update was prepared by Éric Chalifoux, Julie Dubois, Joseph Macaluso, Alison McDermott, and Karen Smith, under the direction of Shane Williamson. Translation has been provided by Lucie Larocque, and Sue Hopf is responsible for administrative support.

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